El Toro Project Area

Updated 2004-05 Ten-Year Affordable Housing Compliance Plan

Appendix A-to the El Toro Project Area
5-Year Implementation Plan (2004-05 through 2008-09)

FINAL – December 2004

Updated as of Midterm Review on December 4, 2007

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Introduction

This document is the updated Ten-Year Affordable Housing Compliance Plan ("Compliance Plan") for the El Toro Project Area of the Lake Forest Redevelopment Agency ("Agency") as of the Mid-Term Review on December 4, 2007. This Compliance Plan incorporates a summary of the Agency's affordable housing production activities since adoption of the Project and presents an affordable housing production plan for this ten-year planning period (2004-05 through 2013-14).

The El Toro Project Area ("Project Area") is located in southern Orange County in the City of Lake Forest, with a portion of the Project located in the City of Laguna Hills. The Project Area is approximately 856 acres in size, and includes approximately 3.3 miles of El Toro Road, extending from the I-5 Freeway northeast to Trabuco Road, with a small portion of the Project Area (13 acres) located on the south side of the I-5 Freeway within the City of Laguna Hills. The Project Area is generally bounded by El Toro Road on the north, Trabuco Road on the east, Los Alisos Boulevard, the Aliso Creek Channel, and Cherry Avenue on the south, and Interstate 5 freeway on the west.

The Project Area was adopted by the County of Orange as one of 14 separate and noncontiguous sub areas (within then unincorporated territory) of the Neighborhood Development and Preservation Project Area ("NDAPP") on June 28, 1988. In 1991, the City of Lake Forest was incorporated as a new city under the general laws of the State of California. The El Toro Project Area was taken over by the City of Lake Forest on June 30, 1998, after a lengthy negotiation process with the County of Orange. Additionally, because a small portion of the Project Area lies within the City of Laguna Hills, the City of Lake Forest and Laguna Hills have entered into an agreement providing that the Lake Forest Redevelopment Agency will have jurisdiction over the Project Area. The Lake Forest Redevelopment Agency will receive tax increment revenue generated by the Laguna Hills portion of the Project Area available to Laguna Hills for eligible redevelopment and housing projects.

The Project Area, at the time of formation, was substantially built out. It included a commercial core area located along both sides of El Toro Road and an area of mixed commercial and light industrial located on the east side of El Toro Road south of the railroad tracks. The area surrounding the commercial corridor and light industrial area is occupied by existing residential land uses made up of single-family and multi-family units and mobile homes. Since the Project Area's adoption in 1988, no new housing units have been built in the Project Area.

Background

Since 1975, numerous changes have been enacted to amend California Community Redevelopment Law, Health and Safety Code Section 33000 et seq. ("CRL") to protect, improve, and create affordable housing for very low, low and moderate income persons and families. These changes required that:

- All redevelopment project areas adopted after January 1976 replace one (1) for one (1) each unit destroyed by an agency.

- All redevelopment agencies must set aside a minimum of twenty percent (20%) of all tax increment revenue generated by a project area into a fund for the preservation, improvement, and creation of low and moderate income housing.

- That a portion of all housing units created within a project area must be reserved and affordable to persons and families of low and moderate income.

- That an agency must adopt and periodically update an affordable housing production plan to ensure compliance with the CRL.

The CRL defines and limits assisted income categories as follows:
Very Low Income - persons or households whose gross income does not exceed 50% of the area's median income;
Low Income - persons or households whose gross income are greater than 50% but do not exceed 80% of the area's median income; and
Moderate-Income – persons or households whose gross income are greater than 80% but do not exceed 120% of the area's median income.

The adoption of Assembly Bill 315 in 1992 (as amended by Assembly Bill 1290 in 1993 and subsequent amendments) requires all redevelopment agencies to adopt and periodically update a plan to ensure compliance for each project area, regarding the reservation of new or rehabilitated housing units to persons or families of low to moderate income at affordable housing costs.

The CRL defines Affordable Housing Cost as:
- Very Low - Not more than 30% of 50% of the County median household income;
- Low - Not more than 30% of 70% (or 60% for rental projects) of the County median household income; and
- Moderate - Not more than 35% of 110% (or 30% of 120% for rental projects) of the County median household income.

Legal Requirements for Compliance Plans

Pursuant to the requirements of Sections 33413(b)(4) and 33490(a)(2) and (3) of the CRL, this Compliance Plan sets forth the Agency's program for ensuring that the appropriate number of very low, low, and moderate-income housing units will be produced as a result of new construction, replacement housing or substantial rehabilitation in the Project Area.

Compliance with AB 637 and SB 701

This Compliance Plan is consistent with recent changes enacted into the CRL pursuant to Assembly Bill 637 (Lowenthal) and Senate Bill 701 (Torlakson). Among these significant amendments are:

- <u>55/45 Year Minimum Affordability Periods</u>: Effective January 1, 2002, all new or substantially rehabilitated dwelling units assisted by the Housing Fund, replacement housing, and inclusionary housing must be affordable for 55 years (rental units) or 45 years (owner-occupied units). Units assisted, rehabilitated or constructed prior to January 1, 2002, may have shorter time limits.

- <u>Substantial Rehabilitation</u>: After January 1, 2002, substantially rehabilitated dwelling units means all units substantially rehabilitated with agency assistance. Prior to January 1, 2002, substantially rehabilitated dwelling units means substantially rehabilitated multi-family rental dwelling units with three or more units regardless of whether there is agency assistance, or single family units substantially rehabilitated with agency assistance.

- <u>Replacement Housing</u>: Effective January 1, 2002, 100% of all replacement housing units must be affordable to the same income categories as those displaced. Previously, only 75% of the units had to match the displaced income categories.

- <u>Targeting Housing Fund Expenditures</u>: Effective January 2002, the CRL now requires that a minimum of Housing Fund assistance during the 10-year Compliance Plan mirror the community's needs, both in terms of the income categories needed, and the number of family (versus senior) housing needed.[1] (The CRL provides an additional five years to meet this requirement if an agency deposited less than $2 million over the first five years of the Compliance Plan.)

Contents of the Compliance Plan

This Compliance Plan has been developed to accomplish the following goals to satisfy the requirements of the CRL:

- To account for the number of affordable dwelling units, either constructed or substantially rehabilitated in the Project Area, since its adoption;

[1] Allocation of a redevelopment agency's tax increment housing set aside dollars must at a minimum match the proportion of very low and low income housing unit need identified in the community's housing element (as established by the regions housing needs allocation). Additionally housing set aside funds allocated for person 65 years of age or older must not exceed the proportion of the number to the general population.

- To account for the lack of housing replacement obligations;
- To forecast the estimated number of dwelling units to be privately developed or substantially rehabilitated between fiscal years 2004-05 through 2013-2014 and over the duration of the Redevelopment Plan;
- To forecast the estimated number of dwelling units to be developed or substantially rehabilitated by the Agency between fiscal years 2004-05 through 2013-2014 and over the duration of the Redevelopment Plan;
- To project the availability of Agency revenue for funding affordable housing production;
- To identify implementation policies/programs and potential sites for affordable housing development;
- To establish a timeline for implementing this Compliance Plan to ensure that the requirements of Section 33413 of the CRL are met during the ten-year period between fiscal years 2004-05 and 2013-2014; and
- To review the consistency of Agency affordable housing goals, objectives, and programs pursuant to the City's Housing Element.

Affordable Housing Production Needs

This section of the Compliance Plan addresses the Agency's affordable housing production needs for the planning period (2004-05 through 2013-14) and over the greater duration of the Redevelopment Plan.

This Compliance Plan has confirmed that no residential construction or substantial rehabilitation has occurred within the Project Area since adoption of the Plan. Therefore, the Agency has not incurred any affordable housing unit production obligations. Additionally, since the adoption of the Project Area in 1988, no housing units occupied by very low, low or moderate income households have been destroyed nor is it expected that units will be destroyed in the future. Thus, the Agency has not incurred affordable housing or replacement housing obligations.

Production Needs –Next Ten Years

Section 33413(b) of the CRL requires that not less than 30% ("30% units") of Agency developed or substantially rehabilitated housing units and 15% ("15% units") of all other units developed or substantially rehabilitated within the Project Area must be reserved and affordable to low- and moderate-income households. The CRL also requires that 50% of the 30% units and 40% of 15% units must be available to very low-income persons or households. These affordable housing production requirements must be met during the planning period, which ends after fiscal year 2013-2014.

IT IS CURRENTLY UNKNOWN IF ANY NEW UNITS WILL BE DEVELOPED WITHIN THE PROJECT AREA DURING THE NEXT TEN YEARS.

The Agency has recently closed escrow on the surplus land currently owned by the Orange County Transportation Authority ("OCTA"). The Agency purchased the land with CDBG funds and is currently exploring the potential of exchanging Agency funds for CDBG funds, in an effort to alleviate an excess surplus in the Housing Fund. Agency staff is also preparing an Exclusive Negotiating Agreement (ENA), which will allow the Agency to work with the property owners adjacent to the OCTA parcel to explore development options for the site. At this time, it is not known if a senior center will be a part of the project. Consequently, it is not known if the $185,000 of non-housing Agency dollars will be spent on the project. Staff hopes to present the ENA for the Agency's Board's consideration in January 2008.

Aside from the potential of developing housing on the OCTA site, the Agency does not anticipate any further housing development or substantial rehabilitations in the Project Area. If new housing is developed or existing housing is substantially rehabilitated the Agency will comply with the CRL affordable housing production requirements. Additionally, the Agency still intends to move forward with efforts to utilize its Housing Funds to increase and improve affordable housing for very low, low, and moderate-income persons and households in the Project Area and Citywide over the term of the 2004-05 through 2013-14 Housing Plan and the term of the Redevelopment Plan.

To satisfy the Agency's production needs, units that are either developed or substantially rehabilitated must feature 45 or 55-year covenants. Units may be constructed inside or outside the Project Area, but units provided outside a project area count on a 2-for-1 basis. The Agency may also purchase 55-year affordability covenants on multi-family units.

Replacement Housing Production Needs

The CRL requires that whenever dwelling units housing low and moderate-income households are destroyed as part of an Agency project, the Agency is responsible for ensuring that an equivalent number of replacement units are constructed or substantially rehabilitated. These units must provide at least the same number of bedrooms destroyed, and 100% of the replacement units must be affordable to the same income categories (i.e. very low, low, and moderate) as those removed. The Agency receives a full credit for replacement units created inside or outside the Project Area.

According to Agency staff, no units have been destroyed by Agency activity. Additionally, no units are expected to be destroyed or removed as a part of an Agency project during the planning period.

Affordable Housing Activities

The following summarizes the Agency's efforts to provide affordable housing throughout the City of Lake Forest over the last five years.

Housing Fund Expenditures

Alexan Bellecour Community-Trammel Crow

In FY 2001-02, the Agency collaborated with Trammel Crow Residential (TCR) to provide new affordable housing units within the City of Lake Forest. The Agency and TCR entered into an Affordable Housing Agreement that secures the provision of six (6) affordable housing units for a 15 year period. Of the six units restricted to maintain affordable rents, four (4) one-bedroom units have been reserved for occupancy by low income persons or families and two (2) one bedroom units reserved for occupancy by moderate income persons or families.

The project, now completed and occupied, is located on the north side of Osterman Road, between Normandale Drive and Pittsford. This project site was designated in the City's Housing Element as one of the three potential housing sites within the City that could accommodate future residential development required to meet the City's Regional Housing Needs Assessment (RHNA). The community is named Alexan Bellecour and consists of 131 apartment homes including one-bedroom flats and two and three bedroom townhomes. The Agency and TCR have worked together to create an affordable housing component for Alexan Bellecour that consists of providing six (6) affordable housing units within the complex of 131 units. The six units are one bedroom flats and include a one-car garage, storage closet, full-size washer/dryer, gas range, refrigerator, dishwasher, built-in microwave, dual entrance bath, garden tub, balcony and a generous amount of windows. Pursuant to the Agreement, the Agency provided a one time financial incentive of $163,000 of Housing Set-Aside Funds to restrict the six units for a period of 15 years as documented with annual monitoring reports.

Community Development Block Grant ("CDBG") Program Funding

The Agency's lack of tax increment revenues slowed the Agency's housing progress during the prior 5 Year Period. However, the City has cooperated with the Agency to expand housing opportunities for low and moderate-income residents through the use of CDBG funds. The City's CDBG program has provided funding for a number of low/moderate housing programs. The following describes the City's efforts in providing and improving the community's supply of affordable housing.

Housing Unit Rehabilitation:

The City's CDBG Rehabilitation Program offers assistance to all eligible homeowners with homes in need of repairs.

- In FY 1999-2000, eight (8) low to moderate-income homeowners within the Project Area were assisted with low interest (3%) or deferred interest loans to repair and replace roofs, provide new energy-efficient windows, repair electrical and plumbing deficiencies, paint interior/exterior surfaces and correct health, safety and building code violations. A total of $76,608 was expended within the Project Area.

- In FY 2000-01, twelve (12) low to moderate-income homeowners within the Project Area were assisted with low interest (3%) or deferred interest loans to repair and replace roofs, provide new energy-efficient windows, repair electrical and plumbing deficiencies, paint interior/exterior surfaces and correct health, safety and building code violations. A total of $71,450 was expended within the Project Area.

- In FY 2001-02, fourteen (14) low to moderate-income homeowners within the Project Area were assisted with low interest (3%) or deferred interest loans to repair and replace roofs, provide new energy-efficient windows, repair electrical and plumbing deficiencies, paint interior/exterior surfaces and correct health, safety and building code violations. A total of $131,200 was expended within the Project Area.

- In FY 2002-03, five (5) low to moderate-income homeowners within the Project Area were assisted with low interest (3%) or deferred interest loans to repair and replace roofs, provide new energy-efficient windows, repair electrical and plumbing deficiencies, paint interior/exterior surfaces and correct health, safety and building code violations. A total of $44,313 was expended within the Project Area.

- In FY 2003-04, fourteen (14) low to moderate-income homeowners within the Project Area were assisted with low interest (3%) or deferred interest loans to repair and replace roofs, provide new energy-efficient windows, repair electrical and plumbing deficiencies, paint interior/exterior surfaces and correct health, safety and building code violations. A total of $109,600 was expended within the Project Area. For the period ranging from July 1999 to June 2004, fifty-four (54) homes have been rehabilitated through the use of CDBG funds.

Assistance to Low/Moderate-Income Residents through Public Service Programs:

The City contracts with non-profit organizations to provide valuable services to the community such as emergency shelter, transitional housing, food and clothing distribution, before and after school childcare programs, fair housing and referral services.

- In FY 1999-2000, a total of $62,336 in funding was provided to private/non-profit agencies and/or programs to provide assistance to approximately 3,574 low/moderate income residents from Lake Forest.

- In FY 2000-01, a total $62,942 in funding was provided to private/non-profit agencies and/or programs to provide assistance to approximately 4,241 low/moderate income residents from Lake Forest.

- In FY 2001-02, a total $55,200 in funding was provided to private/non-profit agencies and/or programs to provide assistance to approximately 4,260 low/moderate income residents from Lake Forest.

- In FY 2002-03, a total of $53,850 in funding was provided to private/non-profit agencies and/or programs to provide assistance to approximately 5,485 low/moderate income residents from Lake Forest.

- In FY 2003-04, a total of $79,350 in funding was provided to private/non-profit agencies and/or programs to provide assistance to approximately 4,651 low/moderate income residents from Lake Forest.

Transitional Housing:

Assistance was provided for the purchase of homes for use as family transitional housing units for low-income persons. Each unit will provide a home for a low income family for a guaranteed period of 25 years. In FY 2001-02, $75,000 was provided for two homes; in FY 2000-01, $75,000 was provided for two homes; and in FY 1999-2000, $75,000 was provided for two homes.

Estimated Housing Program Resources

The Agency's primary source of revenue for housing projects and programs is the annual deposit of tax increment housing set-aside dollars. The CRL requires that not less than 20% of all tax increment revenue allocated to the Agency must be used to increase, improve, and preserve the community's supply of housing available, at affordable housing cost, to persons and families of very low, low-, and moderate-incomes.

As of July 1, 2004, the Agency had a beginning balance of approximately $861,668 in the LMIHF. The table on page 10 is an updated version of Table 1 and identifies the Agency's funding resources reflecting the actual expenditures and deposits into the LMIHF for the preceding years and updated estimates of future deposits for the remaining years The forecast of revenues is based on a conservative 2% growth rate in the secured assessed values plus expected increase in assessed values from known new development project values. The cash flow also includes estimated proceeds from a bond issue in year 4 or 2007-08.

Based on the updated projections shown in Table 1, the Agency may have approximately $ 9 million of housing fund revenue and fund balance during this planning period in total. It is also estimated that the Agency may expend approximately $ 3 million to fund housing programs over the balance of the ten-year period. In addition, the estimated total available funding is allocated in proportion to the income categories pursuant to the Agency's obligations under CRL Section 33334.4(a), which reflects the proportional need for very low-, low-, and moderate-income families per the Regional Housing Needs Allocation (RHNA) for the City.

Over the last several years, the Project Area has generated increasing amounts of tax increment revenue which has been reflected by increased deposits into the LMIHF. As an example, funds deposited into the Housing Fund for 2005/06 equaled $550,782, in 2006/07 they were $632,692 and it is anticipated that 2007-08 will total $754,429. As a result of the Agency's increasing annual deposits, plus the fact that most of the Agency's housing programs to date have been funded by CDBG, it has accrued a significant balance of funds in the LMIHF.

An excess surplus has been recognized in the Agency's LMIHF for fiscal years 2006-07 (per the 2006-07 HCD portion of the State Auditor Controllers Report) and identified for 2007-08. Section 33334.10 of the CRL requires the Excess Surplus Plan be adopted within six months of the close of the fiscal year in which an excess surplus is identified.

A draft Excess Surplus Plan covering the 2006-07 and 2007-08 surpluses was prepared for the Agency's review and consideration.The Excess Surplus plan was available for Public Review on November 19, 2007 and was adopted by resolution on December 4, 2007 by the CityCouncil.

UPDATED TABLE 1*

Ten Year Housing Compliance Plan
Housing Fund Resources and Expenditures

	Actual Revenues										
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Totals
Revenues	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10-Year
Beginning Balance	861,668	1,185,482	1,798,394	2,492,382	2,422,274	2,636,030	3,240,995	3,900,160	4,571,648	5,495,233	
Revenue											
TI Set-Aside Revenue/1	399,692	550,782	632,692	754,429	864,695	896,835	963,815	997,937	1,032,742	1,068,243	8,161,863
Interest & Miscellaneous Income/2	29,308	62,130	190,895	52,963	51,473	56,016	68,871	82,878	97,148	116,774	808,456
Total Revenue	429,000	612,912	823,587	807,392	916,169	952,851	1,032,686	1,080,816	1,129,890	1,185,016	8,970,319
TOTAL AVAILABLE FUNDS	1,290,668	1,798,394	2,621,981	3,299,774	3,338,443	3,588,881	4,273,682	4,980,975	5,701,537	6,680,250	
Programs and Projects											
Program Operations & Administration/3	-	-	129,599	177,100	182,413	187,885	193,522	199,328	206,304	213,525	1,489,676
Transfer to Laguna Hills Housing Rehab	45,186										45,186
Financing Costs/Debt Service-Bonds											-
Projects & Program Costs											-
OCTA land purchase -housing	60,000			300,000							360,000
Senior Housing Project Development											-
Affordable Housing Fee Write-downs			-								-
Developer Incentives for Affordable Units											-
Purchase of Covenants on Existing											-
UPDATED PROJECTS & PROGRAMS											-
Housing Plan Implementation				25,000		10,000					35,000
Creative Affordable Housing Opportunities				85,000							85,000
Expanded Housing Rehabilitation Loan Program*				90,000	120,000	150,000	180,000	210,000			750,000
Saguaro Neighborhood Improvement Strategy				200,400	400,000						600,400
Total Project & Program Costs	105,186	-	129,599	877,500	702,413	347,885	373,522	409,328	206,304	213,525	3,365,262
FUNDS REMAINING AT YEAR END	1,185,482	1,798,394	2,492,382	2,422,274	2,636,030	3,240,995	3,900,160	4,571,648	5,495,233	6,466,725	

1/ RSG Revenue projections
2 Interest income at 85% of fund balance @ 2.5% per annum
3 Estimated staff costs.
* The table has been updated as of the Midterm Review on December 4, 2007

Targeting of Housing Fund Expenditures

As set forth by Section 33333.4 of the CRL, each agency shall expend, over the duration of the planning period (the Compliance Plan period), tax increment set-aside revenues allocated to the Housing Fund in proportion to the community need for affordable housing units, both in terms of the income categories and the number of senior households assisted.

Income Categories Assisted

Pursuant to Section 33334.4(a) of the CRL, Housing Fund expenditures must be expended at a minimum in proportion to the City's fair share of the Regional Housing Need Assessment (RHNA) unit need for very low and low income units as compared to the total unit need for very low, low and moderate income units. The number of units in each income category in the City's RHNA figures may be adjusted for units not assisted by the Agency that feature 55 or 45-year covenants.

Table 2
City of Lake Forest
Regional Housing Needs Allocation By Income Group (RHNA) 1998-2005

Income Category	Housing Units	Percent of Total	Units Since 1998(includes units under construction and approved)	Remaining Housing Need	Percent of Total
Very Low	73	40%	0	73	52%
Low	7	4%	0	7	5%
Moderate	27	15%	0	27	19%
Upper Income	76	42%	42	34	24%
Total Housing Units	**183**	**100%**	**42**	**141**	**100%**

Source: Housing Element

Table 2 above illustrates the RHNA unit need for the City of Lake Forest for years 1998 through 2005 based on figures from the Housing Element and units either approved, under construction or completed. Efforts to build more units dedicated to households of very low, low and moderate income remain a priority for the Agency's use of its housing set aside funds. Table 2 above shows that these are the RHNA categories with remaining gaps in housing accessibility. Table 3 below provides the calculation of the RHNA unit figures excluding the Upper Income numbers to provide pursuant to the CRL the minimum required percentage allocation of Housing Fund dollars to very low and low income persons for this 10 year period.

Table 3 Lake Forest Redevelopment Agency Proportional Allocation of Set-Aside Funds/Per RHNA		
Income Category	**Remaining Housing Need**	**Minimum Allocation of Housing Set-Aside Funds**
Very Low	73	68.22%
Low	7	6.54%
Moderate	27	25.23%
Total Units	**107**	

Family and Senior Housing

Section 33334.4(b) requires that Housing Fund expenditures for senior housing also be in proportion to the community's population of that age, according to the most recent Census. Accordingly, since 8.59% of the City's Census 2000 population was over the age of 65, not more than 8.59% of the Agency's available housing fund revenues may be expended on senior housing projects during this 10 year period.

Projected Housing Fund Expenditures

Table 4 presents an updated summary of the Agency's proportional housing expenditures based on planned projects described in the next section of this Compliance Plan and the thresholds set forth above. Please note that the percentage allocations by income groups may change during the next Five Year Implementation Plan update in FY 2009/10 and upon receipt of new RHNA unit numbers expected in 2008.

Updated Table 4*

10 Year Housing Plan Projected Housing Fund Resources		Projected 10 Year Period
		Totals
Beginning Cash Balance		$861,668
	Projected Tax Increment Housing Revenue	8,161,863
	Other Revenue	808,456
	Subtotal	9,831,987
	Estimated Debt Services/Admin & Operations	(1,489,676)
Net Revenue Available for Projects & Programs		$8,342,311

10 Year Assumed Allocation of Funds by Income Group

RHNA %	Income Groups	Projected Amount
68.22%	Very Low	$5,691,483
6.54%	Low	545,759
25.23%	Very Low, Low and Moderate	2,105,069
100.00%	Total	$8,342,311

Senior Citizen Housing Funding Limitation

Senior Population as a percentage of the City's population	8.59%
Senior Funding Limitation-Tax Increment Funds	$701,104

**The table has been updated as of the Midterm Review on Dec. 4, 2007*

Proposed Implementation Initiatives

As previously discussed, the Agency has no inclusionary housing obligations at this time and expects that it will have few if any inclusionary units required in the future. The Agency does intend to utilize its Housing Funds to increase and improve affordable housing for very low-, low- and moderate-income persons and households over the term of this Compliance Plan and the term of the Redevelopment Plan. Further, the Agency will assist the City in its efforts to meet its affordable housing obligations provided for by State Law, the City's Housing Element and it obligations as outlined under RHNA. Future programs and projects that will meet these criteria are described below.

Future Planning Period Housing Projects

The Agency may, to the extent permitted by CRL and land use designation, inside or outside the Project Area, acquire land, sell or lease land, donate land, improve sites, acquire affordability covenants, construct or rehabilitate structures, or use any other method authorized by CRL, in order to provide housing for persons and families of low- or moderate-income. The Agency may also provide subsidies to, or for the benefit of, such persons and families or households to assist them in obtaining affordable housing within the City.

The Agency has continued its efforts, since the adoption of the Housing Plan, to seek motivated property owners, developers, and builders to collaborate and meet the affordable housing standards set for the Agency by CRL.. The City, through its General Plan and CDBG Consolidated Plan, will also continue to explore programs and funding (in addition to tax increment set-aside funds) for citywide production of affordable housing. The following is an update of the Agency's efforts to provide affordable housing throughout the City of Lake Forest since the adoption of the Implementation Plan.

Senior Housing Project

As described above, the Agency is currently exploring the option of assisting with a senior housing project on a surplus OCTA site. If the Project moves forward, the Agency hopes to obtain financial assistance from other funding sources such as CDBG, the County of Orange, and Home Funds. The Agency would limit its financial contribution of tax increment set-aside dollars to an amount allowable under the limits of the CRL. The Agency shall expend its Housing Fund dollars for senior housing in the same proportion as the senior population under the age of 65 as reported in the 2000 census.

As of the Mid-Term Review on December 4, 2007, it is unknown if the non-housing portion of this project will fund a potential senior center on the parcel. The Agency recently closed escrow on the parcel and purchased it with CDBG funds. The Agency is also currently evaluating the potential of exchanging Agency low-moderate income housing funds for the CDBG funds, in order to alleviate an excess surplus in the Housing Fund. Agency staff is preparing an Exclusive Negotiation Agreement to explore the potential development options in conjunction with adjacent property owners. At this time, it is not known if a senior center will be a part of the project. Consequently, it is not known if the $185,000 of non-housing Agency dollars will be spent on this project.

The Saquaro Neighborhood Improvement Strategy

The Saguaro Neighborhood Improvement Strategy, which will begin in FY 2007-08, consists of a strategic plan to improve health, safety, and aesthetics through dialogue with property owners, continued code enforcement presence, and exploring potential beautification funds by public/private partnerships. The Agency plans to undertake projects such as the Saguaro/El Toro Road wall construction and an open dialogue to explore the acquisition/rehabilitation of existing units.

The Expanded Housing Rehabilitation Loan Program

The Expanded Housing Rehabilitation Loan Program is also scheduled to begin in FY 2007-08 and will help to expand the City's housing rehabilitation loan program by making it available to homeowners who currently do not qualify for the CDBG rehabilitation program. The Agency will aim to use housing set-aside funds for loans to allow higher-income households to receive loans. Additionally, the use of housing set-aside funds would provide greater flexibility in loan limits and structure. The program will also explore the potential of creating new program guidelines to address City/Agency housing and neighborhood preservation goals.

Purchase of Affordability Covenants on Existing Units

The Agency will explore the possibility of soliciting the reservation of rental units as affordable (to very low, low and moderate income persons or households) from owners of existing rental properties within the City. The Agency will focus its efforts on multi-family projects that have existing affordability restrictions that may be in danger of loosing such restrictions and the termination of the property's mortgage or because of sale or refinancing. Additionally, the Agency will pursue multifamily properties that are in need of upgrading or rehabilitation thereby improving residential units while reserving them as affordable to low and moderate income households.

Incentives for New Affordable Housing Units

The Agency will assist the City in its efforts to facilitate new affordable housing within the City. The Agency will make funds available when appropriate to assist such new housing, both ownership and rental through Affordable Housing Fee Write Downs and Financial Incentives to Developers. All units assisted with Agency funds will be reserved for the required 45 year (ownership housing) and 55 year (rental housing) periods.

AFFORDABLE HOUSING COSTS

The affordability of housing is a major concern in all regions of California and especially in southern Orange County. Over the past five years, Orange County and Lake Forest has experienced a rapid increase in housing costs both in the rental area as well as for ownership products. According to the Orange County Report,[2] the September 2004 median home price for the City of Lake Forest was $575,000 with the median price for a condominium in the City was placed at $325,000. In addition, a review of vacancy listings for rental properties within the City established that the average asking rate for a one-bedroom unit was approximately $1,124, $1,455 for a two-bedroom unit and $1,985 for a three-bedroom apartment unit. Both the City and Agency will continue to make efforts to ensure that housing is available and affordable for all segments of the City's population.

The Agency efforts to improve and increase affordable housing within the City are regulated by the limitations imposed by the CRL. Tables 5 and 6 below provide information on the range of incomes that allow households to qualify for assistance, as well as presenting the limitations that constitute the defined "affordable rent" and "affordable housing costs" for ownership housing units.

TABLE 5

ORANGE COUNTY
2004 Affordable Rent Limits
(Income figures based on Department of Housing and Community Development Income Limits dated February 24, 2004)

1 Person Household			2 Person Household			3 Person Household			4 Person Household		
Median Income:		$52,900	Median Income:		$60,500	Median Income:		$68,050	Median Income:		$75,600
Income Category	Annual Income (1)	Monthly Affordable Rent (2)	Income Category	Annual Income	Monthly Affordable Rent	Income Category	Annual Income	Monthly Affordable Rent	Income Category	Annual Income	Monthly Affordable Rent
Very Low	$26,450	$661	Very Low	$30,250	$756	Very Low	$34,000	$851	Very Low	$37,800	$945
Low	$40,250	$794	Low	$46,000	$908	Low	$51,750	$1,021	Low	$57,500	$1,134
Moderate	$63,500	$1,455	Moderate	$72,550	$1,664	Moderate	$81,650	$1,871	Moderate	$90,700	$2,079

5 Person Household			6 Person Household			7 Person Household			8 Person Household		
Median Income:		$81,650	Median Income:		$87,700	Median Income:		$93,750	Median Income:		$99,800
Income Category	Annual Income	Monthly Affordable Rent	Income Category	Annual Income	Monthly Affordable Rent	Income Category	Annual Income	Monthly Affordable Rent	Income Category	Annual Income	Monthly Affordable Rent
Very Low	$40,800	$1,021	Very Low	$43,850	$1,096	Very Low	$46,850	$1,172	Very Low	$49,900	$1,248
Low	$62,100	$1,225	Low	$66,700	$1,316	Low	$71,300	$1,406	Low	$75,900	$1,497
Moderate	$97,950	$2,245	Moderate	$105,200	$2,412	Moderate	$112,450	$2,578	Moderate	$119,700	$2,745

DEFINITIONS

1. Annual Income: Gross income from all sources for all members of the household.
2. Affordable Rent: Monthly rent amount including a reasonable utility allowance.

[2] Information contained on Orange County Report website provided by Information Designs

TABLE 6

ORANGE COUNTY

2004 Affordable Housing Costs for Home Purchase Programs

(Income figures based on Department of Housing and Community Development Income Limits dated February 24, 2004)

1 Person Household			2 Person Household			3 Person Household			4 Person Household		
Median Income:		**$52,900**	**Median Income:**		**$60,500**	**Median Income:**		**$68,050**	**Median Income:**		**$75,600**
Income Category	Annual Income (1)	Monthly Affordable Housing Cost (2)	Income Category	Annual Income	Monthly Affordable Housing Costs	Income Category	Annual Income	Monthly Affordable Housing Costs	Income Category	Annual Income	Monthly Affordable Housing Costs
Very Low	$26,450	$661	Very Low	$30,250	$756	Very Low	$34,000	$851	Very Low	$37,800	$945
Low (3)	$40,250	$926	Low	$46,000	$1,059	Low	$51,750	$1,191	Low	$57,500	$1,323
Moderate (4)	$63,500	$1,697	Moderate	$72,550	$1,941	Moderate	$81,650	$2,183	Moderate	$90,700	$2,426
5 Person Household			**6 Person Household**			**7 Person Household**			**8 Person Household**		
Median Income:		**$81,650**	**Median Income:**		**$87,700**	**Median Income:**		**$93,750**	**Median Income:**		**$99,800**
Income Category	Annual Income	Monthly Affordable Housing Costs	Income Category	Annual Income	Monthly Affordable Housing Costs	Income Category	Annual Income	Monthly Affordable Housing Costs	Income Category	Annual Income	Monthly Affordable Housing Costs
Very Low	$40,800	$1,021	Very Low	$43,850	$1,096	Very Low	$46,850	$1,172	Very Low	$49,900	$1,248
Low	$62,100	$1,429	Low	$66,700	$1,535	Low	$71,300	$1,641	Low	$75,900	$1,747
Moderate	$97,950	$2,620	Moderate	$105,200	$2,814	Moderate	$112,450	$3,008	Moderate	$119,700	$3,202

DEFINITIONS

1. Annual Income: Gross income from all sources for all members of the household.
2. Monthly Housing Costs: Amount of mortgage payment principal and interest, mortgage insurance, property taxes, and property insurance.
3. Low Income Affordable Housing Costs: Assumes affordable housing costs computed at 30% of 70% of median income.
4. Moderate Income Affordable Housing Costs: Assumes affordable housing costs computed at 35% of 110% of median income; may not be less than 28% of household's gross income.

Table 7 below illustrates the gap in affordability in the hypothetical purchase of ownership units utilizing the Lake Forest median condominium cost for a family of four qualifying as very low and low income.[3]

[3] Information contained on Orange County Report website provided by Information Designs

TABLE 7

Lake Forest Affordable Housing Analysis Home Ownership Product				
		Affordable For-Sale Housing (4 person household)/1		
		Very Low Income	Low Income	Moderate Income
% of County Median		**50%**	**70%**	**110%**
Annual Gross Incomes		$37,800	$52,920	$83,160
% of Income to Housing		**30%**	**30%**	**35%**
Annual Housing Cost		$11,340	$15,876	$29,106
Monthly Housing Cost		$945	$1,323	$2,426
less: Property Tax	1.10%	($298)	($298)	($298)
Insurance	0.15%	($41)	($41)	($41)
Common Area		($75)	($75)	($75)
Utilities		($100)	($100)	($100)
Available for Mortgage		$431	$809	$1,912
Qualified Mortgage	5.85%	$73,136	$137,210	$324,093
Down Payment	5%	$3,849	$7,222	$17,058
Total Affordable Home Price		**$76,985**	**$144,432**	**$341,151**
Median Cost of Condominium in Lake Fore:		**$325,000**	**$325,000**	**$325,000**
Unfunded Gap (between affordable payment and median cost)		**$248,015**	**$180,568**	**no gap**

1/ Affordability model provided by Nuquest Ventures, LLC

Table 8 below illustrates the gap in what a family of four can afford (pursuant to the CRL) as compared to those categorized as very low and low income households.

TABLE 8

Lake Forest Affordable Housing Analysis Rental Costs Gaps			
4 Person Household	Very Low Income	Low Income	Moderate Income
% of County Median	**50%**	**60%**	**110%**
Annual Gross Incomes	$37,800	$52,920	$83,160
% of Income to Housing	**30%**	**30%**	**30%**
Annual Housing Cost	$11,340	$15,876	$24,948
Monthly Housing Cost	$945	$1,323	$2,079
less: Utilities	-$75	-$75	-$75
Available for Monthly Rent	**$870**	**$1,248**	**$2,004**
Assumed Average Rent 2-Bedroom Unit	**$1,455**	**$1,455**	**$1,455**
	$585	**$207**	**no gap**

Housing Element Consistency

Because this Compliance Plan focuses on providing housing for low to moderate-income households, who are generally the most difficult segment of the community to provide housing for, it is clearly consistent with the Housing Element's goal to provide housing for all economic groups within the Project Areas. Both this Compliance Plan and the Housing Element state that there is a definite need to ensure an adequate supply of housing for the lower income segments of the community.

A major focal point of the goals, policies, and objectives of the Housing Element is to provide housing for all economic segments of the Project Areas, especially lower income families. Because the major goal of this Compliance Plan is also to provide housing for these lower income households, and the proposed plans and programs for improving the supply of affordable housing in the Project Area presented in this Compliance Plan are similar to plans and policies of the Housing Element, there is clearly consistency between the Compliance Plan and the Housing Element.